Portfolio Media. Inc. | 230 Park Avenue, 7th Floor | New York, NY 10169 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

NY Tax Talk: Evaluating The Sales Tax Vendor Relief Program

By **Elizabeth Cha** (September 1, 2026, 1:12 PM EDT)

Elizabeth Cha

This article is part of a quarterly column *that examines recent developments in New York tax law. In this installment, we focus on the state's recently enacted sales tax vendor reregistration, and the related penalty and interest discount program.*

Leading into 2027, New York is looking to update its sales tax vendor information and ease the administrative burden of sales tax compliance. With this goal in mind, Gov. Kathy Hochul's executive budget, signed into law on May 28, initiates a reregistration of sales tax vendor certifications and authorizes the New York State Department of Taxation and Finance to implement a sales tax discount program that provides sales tax vendors with penalty abatement and an interest discount for outstanding sales tax liabilities.

As taxpayers evaluate whether they may qualify for New York's new sales tax penalty and interest discount program, one key consideration will be whether the relevant liability became fixed and final by Sept. 1, 2026. For eligible vendors, the discount program could result in a waiver of all penalties and half of the owed interest, resulting in a substantial reduction in the total amount owed by such vendors.

However, meeting the eligibility requirements of the program is nuanced, and the window for taking action may be limited. Therefore, vendors with outstanding sales tax obligations should determine now whether they should seek any benefits from the program.

Background

New York imposes a sales tax on the receipts from every retail sale of tangible personal property and from sales of certain enumerated services.[1] Vendors of taxable tangible personal property or taxable services must register with the Department of Taxation and Finance in order to collect sales tax on taxable sales.

Failure to comply with sales tax laws, including failure to register, file a tax form, collect sales tax or pay taxes that have been collected, may subject such vendors to civil or criminal penalties, including imposition of the sales tax on the vendor, and interest on such unpaid sales tax and penalties.

Pursuant to Section 1134(a)(5) of the New York Tax Law, the tax commissioner is authorized to require vendors to obtain a new certificate of registration for sales tax collections by reregistering with the department. New York last implemented a vendor reregistration process in 2008.

The 2008 program was similar in that New York coupled the reregistration process with a sales and use tax penalty and an interest discount. The stated goal of the 2008 program was to settle outstanding sales tax liabilities that were more than three years old. Eligible participants received reductions in accrued interest and penalties imposed on such tax liabilities, provided the tax was paid during the applicable program period.

The New Program

Under New York's new reregistration and penalty and interest discount program, all sales tax vendors will need to reregister with the department by Dec. 31, 2030.

Vendors cannot affirmatively choose when to participate in the program. Instead, the department will send to each vendor a formal expiration notice. Notices will be sent on a rolling basis and mailed at least 180 days before the expiration of a respective vendor's current registration.

Vendors then must submit an application for reregistration at least 90 days before the expiration date of their current registration. Sales tax vendors that fail to timely comply with the reregistration process may have their authorization revoked.

The vendor reregistration program also provides eligible vendors with financial relief for outstanding sales tax debts, provided those vendors otherwise settle those debts prior to reregistering. New York imposes interest on unpaid sales tax at a rate of 14.5% per year, which compounds over time. Penalties for failure to remit sales tax can also reach up to 30% of the tax due. By waiving all penalties and half of the interest, the program may substantially reduce the total amount owed by vendors that receive this benefit.

To receive the program's benefits, sales tax vendors must be selected for the program by the tax commissioner. We understand that New York will issue a one-time notice to vendors that appear to meet the eligibility requirements for the program and are selected by the commissioner.

Although a vendor must be selected by the commissioner to participate in the program, vendors with outstanding sales tax obligations should familiarize themselves with the discount program's eligibility requirements to determine whether they may qualify. Those that believe they are eligible should consider proactively reaching out to the department to request participation.

For vendors considering taking advantage of the program, the window for taking action may be fairly limited.

One of the criteria for eligibility is that the sales tax vendor's tax liability, including interest or penalties, was fixed and final by Sept. 1, such that the vendor no longer had any right to administrative or judicial review. To rely on the benefits of the program, the discounted liability must be paid in full before Dec. 31.

In addition to the foregoing, a vendor is ineligible for the program if its sales tax liability was previously reduced or if it has benefited from an agreement with the department.

Finally, vendors cannot receive a refund or credit for penalties or interest on an otherwise eligible tax liability paid prior to participation in the discount program.

Sales tax vendors that have discovered a potential liability but are not currently under audit, or that are currently under audit but have not received an assessment, will be unable to participate in the discount program — the department will not have issued an assessment that became fixed and final before the Sept. 1 deadline. To qualify, sales tax vendors with active controversies must have resolved or abandoned their protests before Sept. 1.

As part of the discount program, vendors will still need to pay the underlying tax liability and at least half of the accrued interest. The benefits of abating penalties and reducing interest liability may not be enough to convince vendors to withdraw positions that are the basis of the underlying tax assessment.

Vendors may also be concerned that dropping a protest and acquiescing to the department's assessment will weaken their tax position for future periods.

The program's other criteria — i.e., that the applicable tax liability is not subject to any prior reduction or compromise agreed to with the department, and that the refunds will not be granted with regard to penalties or interest that have been paid — further reduce the scope of taxpayers that may take advantage of the program.

As a result, the discount program may be most useful for vendors that have only recently lost a protest to an assessment, or that have not yet paid all or a portion of the interest and penalties associated with an assessment.

Conclusion

We understand that the department plans to issue additional guidance regarding the applicability of the discount program, but as of now, we do not have any indication as to the timing of the issuance of this guidance.

All vendors need to be vigilant and reregister their sales tax certificate once they receive notice from the department. In addition to reregistration, the discount program may provide significant sales tax relief to vendors with sales tax assessments. Vendors that believe they are eligible should take action to benefit from the program.

Elizabeth S. Cha is a partner at Eversheds Sutherland.

[1] NY Tax Law § 1105.